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A Study of the Payment and Management Accounting System in the Department of Supply

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(This study has been prepared for the Special Programme on 'Management Information Systems' for the Officers of the Department of Supply)

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This study deals with the system obtaining in the Department of Supply (Government of India) regarding procedures for making payments and their accounting. An attempt has been made to describe the organisational arrangements created for the purpose, tracing the developments in their historical perspective. The system has been analyzed with a view to find out how far it is in line with the tenets of management accounting and what improvements can be suggested to orient it to serve better the needs of management.

The Historical Background:

The Comptroller and Auditor General and his predecessors have, for more than a century, been responsible for the compilation, maintenance and audit of the accounts of the civil

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departments of the Government of India1. The combination of responsibilities for the compilation of accounts and for their audit in the same organisation has been a unique feature of the Indian administrative system.

In the fiscal system in India, the treasuries have played a vital role. They have functioned as the common payment and receipt offices for almost all departments of government located in their jurisdictions. They have been responsible for making payment of claims against Government on bills or cheques or other instruments presented in the prescribed form by duly authorised persons. It has also been their responsibility to receive money from the public and the government departments and agencies for credit to Government.

The treasury system was the focal point of all government transactions when the banking system had not developed in the country. Even after the banking sector started making progress, the government business continued to be centred around the treasuries. The only change which came about was that whenever a branch of the Reserve Bank of India or the State Bank of India was situated near the location of the treasury, the cash business of the treasury would be handled

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1. A separate Accountant General was created for the Military Department in 1864. In 1919, the audit of Military accounts was made the responsibility of the Auditor General.

by such a branch of the bank. The bank had to render daily accounts of these transactions to the treasury. The treasuries were responsible for preparing the initial accounts of all payments and receipts taking place at them, whether transacted through banks or otherwise. The statements of these transactions had to be rendered by the treasuries to the concerned Accountant General. These statements (accompanied by the necessary documents and vouchers) formed the main basis for the detailed compilation and consolidation of accounts by the Accountants General, working under the Comptroller and Auditor General of India.

In the treasury based system, the departments of the Government were only maintaining duplicate accounts of their transactions which needed to be reconciled periodically with those compiled by the Accountant General. Often this reconciliation was either not done properly or was left in arrears. This resulted in huge difference being observed between the departmental figures and those compiled by the Accountant General till the time both sets of accounts had to be reconciled for the preparation of appropriation accounts to be presented to Parliament about a year after the close of the financial year. Also, the externality of the accounting system to the Administration made monitoring of expenditure and its proper control by the departments very difficult.

The channeling of payment and receipt transactions through the treasuries and the subsequent compilation of accounts by the Accountant General led to substantial delays in the receipt of accounts by the departments. This delay proved a big handic cap to the departments who were denied timely information necessary for their management purposes. The accounts instead of being useful tool of management and meant to assist dynamic managerial control tended to become a mere historical record. The disassociation of government departments from payment and accounting functions also led to their not developing a sense of responsibility for their own accounts.

The combined system of audit and accounts has been criticized adversely from time to time. Also, it has been considered wrong in principle that the authority which compiles the accounts should itself audit the same. A demand was, therefore, made early in the history for the separation of audit and accounts. This was considered by the Government on a number of occasions. It was actually tried in the United Provinces in 1924 and later in 1926. The experiment had, however, to be abandoned in 1931 primarily on reasons of economy. The separation of accounts from audit was also introduced in the Indian Railways in 1925, which was completed in 1929 and has continued to date.

Many experts and committees continued to advocate separation of accounts from the audit function of the Comptroller and Auditor General.[2] A scheme for the separation of audit and accounts was introduced from Ist April 1955 in the Ministries of Food, Rehabilitation and the Department of Supply. This scheme was later extended to the Lok Sabha and the Rajya Sabha from Ist October, 1955 and to the Department of Printing and Stationary effective Ist December, 1955. In 1967, accounts relating to telecommunication wing of the post and Telegraphs Department were separated from audit.

Recent Developments:

Though the system has been criticized and the demand made from time to time for the separation of accounts from audit, the combined system continued to exist till very recently. The vesting of accounting function in the Comptroller and Auditor General has left the departments without adequate maintaining the basic accounts which may be necessary for ensuring effective financial control and for other management purposes. The departments have not even been able to follow properly the progress of their expenditure. There occurred a considerable time lag between the disbursement of funds by the departments and the time they got accounts figures from the Audit and Accounts Department.

2. See, for example: India, Parliament, Estimates Committee, Ninth Report (1953-54) on Administrative, Financial and Other Reforms(New Delhi: Lok Sabha Secretarial, 1954) pp.27-28.

Accounting being essentially a management function, the logical approach is that the responsibility for the maintenance and compilation of accounts should rest in the administrative departments and executing agencies. As stated in the United Nations' publication:

"Accounting should provide information on work done at every stage with reference to the resources used and costs incurred in doing it. It should provide promptly accurate and complete data for administrative control over the execution of the budget plan. A logical corollary of this is the integration of administrative and accounting responsibilities in the operating agencies. The separation of administrative and accounting responsibilities may often prevent an effective control over the progress of expenditure." 3

The imperative of integrating accounting function with the administrative departments has assumed greater significance with the adoption of performance budgeting by the Government of India. It has been felt that accounting needs of the administrative departments and agencies for speedy, accurate and adequate information would increase manifold with the introduction of the scheme of performance

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3. United Nations, Government Budgeting and Economic Planning in Developing Countries(New York: U.N. Publication, 1966), p.12.

budgeting. The new style of management as envisaged under the system of performance budgeting would necessitate easy availability of accounting data internally. In the circumstances, retaining accounting function, in any form, with the Comptroller and Auditor General was considered to be a retrograde step. It was thought that accounts should be completely separated from the audit function of the Audit and Accounts Department and vested with the administrative departments. The administrative departments should be assigned Full responsibility for the compilation and maintenance of their accounts. Efforts should be made to develop accounting competence within the administrative departments and agencies to fully support the system of performance budgeting. A view, therefore, strongly gained ground that the administrative departments which are entrusted with funds for expenditure should also be assigned full responsibility for the maintenance and compilation of the accounts relating to such expenditure.

In 1971, the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act was passed which did visualise the need for separating accounts from audit. Section 10 of the Act empowered the President, after consultation with the Comptroller and Auditor General, to relieve the Comptroller and Auditor General from the responsibility of maintaining and compiling the accounts of any department of the Union Government.

Another development of importance took place later. The Group of Ministers on Administration, also known as the Cabinet Committee on Administration, in turn constituted in 1973 a sub- Group to recommend necessary reforms in the field of financial administration and for introducing measures to improve performance in relation to the requirements of the Fifth Plan. After investigating into the problems of financial administration which impeded the speedy transaction of government business, the sub-Group came to the conclusion that the prevailing system of payments and accounting was outmoded and needed a radical change. They were of the opinion that the administrative departments should assume full responsibility for making payments and their accounting. It is then only that the modern concepts, like performance budgeting, can be applied and worked successfully. For the budget to become an efficient tool of management, it would be necessary to integrate the payment and accounting functions with the Administration.

A scheme for the separation of accounts from audit was approved by the Government of India in June 1975. An ordinance was issued by the President, which was followed by passing an Act which amended the Comptroller and Auditor General's (Duties, Powers, and Conditions of Service) Act of 1971. The amendment amplified the scope of the provision under Section 10 of the Act of 1971 to enable the Government

of India to relieve the Comptroller and Auditor General of the responsibility for compiling the accounts of the Union Government. Section II of the same Act was also amended to authorise the President, after consultation with the Comptroller and Auditor General, to relieve the Comptroller and Auditor General from the responsibility for preparation and submission of annual accounts of the Union. The separation of accounts from audit has already been completed in three phases effective from Ist April, 1976 (covering three Ministries), Ist July (covering nine more Ministries), Ist October (covering the remaining Ministries/Departments).

Under the new departmentalised accounting system the role of the treasuries in respect of payments and receipts has been eliminated. All payments are stipulated to be made by the departments by cheques drawn on public sector banks. In addition to the Reserve Bank of India and the State Bank of India, nationalised banks have also been authorized to handle cash business of government departments.

An Advisory Committee has been appointed by the Government of India under the Chairmanship of the Finance Minister[4]

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4. The other members of the Committee are: (1) Finance Secretary, (2) Secretary(Expenditure),(3) Secretary (Industrial Development), (4) Additional Secretary, Department of Personnel & Administrative Reforms (5) Chief Cost Accounts Officer, Ministry of Finance, (6) Shri V.G. Rajadhyakhs, Chief Consultant & ex-officio Secretary, Planning Commission, (7) Shri P.M. Narielvala, (8) Shri A.K. Biswas, (9) Shri V.A. Pai Panandiker, (10) Prof. V.S. Murty, (11) Shri S.K. Bhattacharyya, (12) Controller General of Accounts - Convenor.

to consider and recommend Management Accountancy concepts to suit the requirements of different Ministries/Departments. The Committee is also required to make recommendations regarding Management Information System necessary to be developed for the purpose. The resolution[5] appointing the Committee recognizes that the major objective of the departmentalisation of accounts is to improve the financial competence of the Ministries and Departments and make accounts an effective tool of management. The Committee is also to review the system of exchequer control in the Departments and Ministries with a view to ensure effective monitoring of expenditure in relation to provisions in the budget. The Committee's terms of reference further include an evaluation of the system for receipt and payment accounting of the departmentalised accounting organisations of the Ministries/ Departments with a view to assess how far the system and its techniques are in consonance with the principles of Management Accounting and to suggest necessary improvements.

The Case of the Department of Supply:

As already mentioned, a separated payment and accounts set up has existed for the Department of Supply from April 1955. Whereas there had been a composite Pay and Accounts Organisation to deal with a number of Departments, it under-went an internal reorganisation and from Ist February 1976 a separate self-contained wing of the Pay and Accounts Organisation started dealing with the Department of Supply.

5. Government of India, Ministry of Finance (Department of Expenditure) Resolution No.2(96)/76-Special Cell, dated the Ist November, 1976.

The accounts set up, however, was not fully integrated with the Department of Supply. The Department of Supply continued to maintain its accounts which needed to be reconciled with the figures of the Pay and Accounts Office. The treasuries were eliminated but the Pay and Accounts organisation Functioned more or less like any other Accountant General's Office in respect of the accounts transactions of the Department of Supply and its attached and subordinate formations. The bills presented by the departmental officers were pre-audited and paid by the Pay and Accounts Office. The compiled accounts were submitted by the Pay and Accounts Organisation to the Accountant General, Central Revenues for inclusion in the consolidated accounts of the Union Government.

A new scheme effective from Ist July, 1976 has been introduced in the Department of Supply and its subordinate formations for the departmentalisation of accounts. Under this scheme the Secretary of the Department of Supply has been designated as the Chief Accounting Officer. The following are the main organisational components of the Department of Supply:

(i) Secretariat at New Delhi and Internal Finance Cells at Calcutta and Bombay.

(ii) Directorate General of Supplies and Disposals with headquarters at New Delhi and its subordinate offices.

(iii) National Test House with headquarters at Calcutta and regional Offices at Bombay and Madras.

(iv) Chief Controller of Accounts.

The procedural details for transacting the payment function by the Chief Controller of Accounts under the Department of Supply, are contained in the Pay and Accounts Office Manual as amended by the Hand book on Accounting Instructions for the Departmentalised Accounting System. The following are some of the provisions for these procedures as they have been summed up in the Department of Supply memorandum of 24th June, 1976.[6]

(i) The Pay and Accounts Offices made payments to the contractors/suppliers for the stores supplied against D.G.S.& D. contracts, on the basis of bills directly submitted by the contractors. The payments are made after pre-audit of the bills with reference to the terms of the contract and after scrutiny of the supporting documents. Debits are later raised against the concerned departments, other Governments, Public Sector Undertakings etc. for adjustments. Debits are settled primarily by cheques/drafts but adjustments against deposits made by Public Sector

6. Government of India, Ministry of Supply & Rehabilitation (Department of Supply), O.M. F.No. 10(1) IFB/76 dated the 24th June, 1976, on the subject of Departmentalisation of Accounts.

Undertakings or operation of the balances of the State Governments concerned or Railways, P & T and Defence Deptts. with the Reserve Bank of India directly are also resorted to. The pre-check of bills includes ensuring recovery of departmental charges; scrutiny of certificates like correctness of despatch particulars and certificates regarding sales tax and excise duty; checking supporting documents, e.g. specifications in the bill and in the inspection note with reference to the contract; admissibility of taxes, railway freight etc.; power of attorney; demand register to see recoveries due if any; linking up references that may have been made by consignees, recovery of security deposit etc.

(ii) The Drawing and Disbursing Officer submits bills for personal claims to the nearest Pay and Accounts Office which carried out pre-checks on them and issues cheques on various branches of the Reserve Bank of India. In the case of outstation field units of the Inspection Wing, the money is remitted through bank drafts to these units.

(iii) Pay & Accounts Office maintains GPF accounts of all employees and watches recoveries of long term interest bearing loans.

(iv) Post check of paid vouchers received from the cheque drawing offices (i.e.) pay offices.

(v) Scrutiny of bills for auctioneering commission and other bills connected with shipping and clearance work and payment thereof.

(vi) Adjustment of such payments referred to earlier with the consuming departments concerned by cheques/ drafts; against deposits; against State Government's balances with the Reserve Bank etc. The authority of the Pay and Accounts Organisation to advise the Central Accounts Section of the RBI to directly debit the balances of the State Governments, Defence, Railway and P & T. in respect of payments made on their behalf will continue.

(vii) Recovery of charges for inspection, purchase, testing, shipping and clearance, disposal etc. either along with adjustments of payments/credits referred to earlier or on the basis of bills to be submitted by or through the departmental authorities.

(viii) Maintenance and compilation of accounts of the department including transactions dealt with by the Cheque Drawing Officers in accordance with relevant codes/rules and submission to the prescribed authorities;

(ix) Assigning letters of credit to any officers who may be given cheque drawing powers.

(x) Reconciliation of accounts with the nationalised banks who may be authorised to honour cheques issued by the Pay and Accounts Offices the basis of scrolls to be submitted direct to the Pay and Accounts Offices by such banks supported by copies of paid cheques, with the payments made by the Pay and Accounts Offices as well as the cheque drawing departmental officers who would render accounts to Accounts Office;

(xi) Compilation of accounts: (a) in accordance with the classification under major, minor and detailed heads; (b) to register progress of expenditure with reference to the budget allocations made (i.e. appropriation accounts).

The Drawing and Disbursing Officers authorized to draw cheques are, in respect of bills for pay and allowances (including T.A. and Office contingencies) competent to pass the bills after exercising prescribed check. They can issue cheques for the net amounts to be paid. These cheques have to be issued on that branch of the bank with which a Drawing and Disbursing officer is placed in account and assigned a letter of credit. All other bills are required to be submitted ~~the~~ to the concerned Accounts Office for pre-check and payment. At the end of each weekly accounting period (Ist to 7th, 8th to 14th, 15th to 21St and 22nd to the last day of the month), and the departmental officers authorised to issues cheques on

a Drawing and Disbursing Officer has to render to the Accounts Office, along with paid vouchers, weekly account in the form of a list of payments showing the number, date and amounts of the cheques issued during the week against each voucher. The bank is also required to prepare payment scroll showing the cheques paid during the week. It has to send every week two copies of the scroll with paid cheques to the concerned Accounts Officer and one copy without paid cheques to the Drawing and Disbursing Officer. The Drawing and Disbursing Officer has to satisfy himself about the correctness of the entries in the scroll. He is to take up with the bank any discrepancy found by him. The AccountsOffice is responsible for effecting reconciliation of the cheques paid (as shown in the scroll) with the cheques issued (as shown in the weekly account rendered by the Drawing and Disbursing Officer). The entries shown in the scroll and the paid cheques have also to be reconciled with the related vouchers received with the weekly accounts of the Drawing and Disbursing Officer. The discrepancies found have to be taken up for reconciliation with the Drawing and Disbursing Officer and the bank.

The Secretary of the Department of Supply in his capacity as the Chief Accounting Authority has total and overall responsibility for the smooth and efficient functioning of the payment and accounting set-up. He is also responsible for certification of the monthly accounts. In the discharge of his responsibilities the Secretary is assisted by an inte-

grated Financial Adviser. The following responsibilities as summed up in the Department of Supply memorandum of 24th June, 1976 (cited earlier) constitute the role of the Integrated Financial Adviser:-

(i) He will tender financial advice particularly on large value contracts and proprietary items, bringing to bear a close monitoring of trends of industrial costs and prices and also on forward planning for placement of contracts and orders;

(ii) Exercise coordinating role of the Ministry of Supply in ensuring that contracts go through smoothly in the matter of payments and in dealing with the indenting departments in prompt settlement of accounts. Standing coordinating arrangements will be set up separately (i) for the DGS&D and Controller of Accounts and (ii) for the NTH and the Controller of Accounts. The Integrated F.A. will preside over the coordination arrangements in both cases.

(iii) He will be responsible for the preparation of the budget of the department in close coordination with the heads of departments concerned. He will be responsible for distribution of budget allotment among the various wings/departments and for control of expenditure.

(iv) He will, on behalf of the Secretary, be in overall charge of the paying and accounting organisation (as well as departmental officers to whom cheque drawing powers will be delegated).

(v) On behalf of the Chief Accounting Authority he would be responsible for ensuring compilation and consolidation of accounts by the Pay and Accounts Organization for the Ministry as a whole in accordance with the instructions issued by the Central Government and/or C&AG and for rendering of the accounts to such authority as may be prescribed by the Central Government in consultation with the C.A.G.

(vi) The IFA will also be responsible on behalf of the Secretary in ensuring timely preparation by the Pay & Accounts Organisation of the appropriation accounts for the grants controlled by the Department. These accounts will be signed by the Chief Accounting Authority viz. the Secretary and submitted to Budget Division(Department of Economic Affairs) and the Accountant General, Central Revenues or any other nominated officer as may be decided by the C&AG. The material needed for the preparation of the Finance Accounts will also be furnished by the Pay & Accounts Organisation through him to the C & AG or such authority as may be prescribed by the Central Government in consultation with C.A.G.

(vii) Developing information system using accounts documents for aiding management as for example, in monitoring progress of orders by Direct Demanding Officers against rate contracts involving items in relative short supply.

(viii) Monitoring any other changes that may be necessary in connection with any such system or otherwise, e.g. computerisation.

(ix) Internal Audit which would function under the Secretary but report through the Integrated Financial Adviser.

(x) The I.F.A. will be responsible for organising a sound system of internal check to ensure accuracy in accounting and efficiency of operation as part of the management.

(xi) He will be responsible for supervising the introduction of an efficient system of management accounting best suited to the functional requirements of the department.

To ensure correctness of the internal payment and account records and other subsidiary registers an Internal Check Organisation has been provided for to function directly under the Secretary of the Department. The responsibility of the Internal Check Organisation includes periodical inspection of the Accounts

Offices as well as the Departmental Offices with a view to ensure the efficiency and adequacy of the procedures followed and checks and controls exercised. Some other safeguards for the departmentalised accounting set up have been provided by regulating through a letter of credit, to be issued by the Accounts Office, the drawal of money by the departmental officers posessing cheque drawing powers;and through regular reconciliation of cheques drawn with cheques paid.

Management Accounting:

The removal of externality of accounts and their departmentalisation in the administrative Ministries/Departments is expected to lead to prompt payment of personal claims, like salaries, travelling allowances etc., and better maintenance of Provident Fund Accounts, resulting in greater employees satisfaction. It is also likely to yield benefits by enhancing clientele satisfaction by arranging speedy payments through pay offices. The compilation of accounts is expected to be relatively quicker. In fact a sound system of financial management is made possible by providing speedy and continuous accounting data. However, the departmentalisation of accounts and the taking over of full responsiblity by the administrative Ministries/Departments for the compilation of their accounts provide only the necessary facility and a basis for the development of management accounting system. Other measures are also needed to be taken for the installation of an effective system of management accounting in an organisation.

An efficient accounting system is essential for monitoring of expenditure and for building up an effective system of management accounting. The speed and accuracy with which accounts are prepared are the necessary ingredients in the accounts information proving useful to management for various purposes. Also, the accounts information needs to be presented in different forms to cater to the requirements of management at various levels. A management accounting system in its true sense should provide the necessary support to different levels of management in the efficient discharge of their functions. It should enable timely availability of the accounts information for a systematic and continuous review of the progress of expenditure as related to the budgeted funds and the planned tasks. It should also provide for the application of relevant financial management techniques to facilitate decision making at various management levels. To serve these purpose, the integration of the accounting and finance function would need to be effected not only at the headquarters level but also at the decision-making levels below that. An efficient system of management accounting should facilitate introduction of a sound system of performance budgeting, and should also enable a meaningful appraisal of performance.

Management accounting, therefore, in broad terms may be stated as that aspect of accounting which facilitates efficient and economical management of various tasks in the organisation by providing the different levels of management

with relevant and timely information concerning their specific needs. In this context significant importance needs to be attached to devising right format of reports, determining frequency and time-lag of data collection, and creating proper channels of reporting and data flow. The system should also provide for channels to reach feed-back information necessary for use at the operating levels. An efficient Management Information System is, therefore, a necessary adjunct of a sound system of management accounting.

The Concept of Management Accounting As Applied To The Department of Supply:

It is not possible to design any standard system of management accounting which may be applicable to all types of governmental organisations. It is necessary to evolve such a system for each department so as to suit its specific management needs. The requirements of different departments for management purposes would vary depending upon their respective functions and organisational structure. Even within the same department management accounting system would need to be reviewed from time to time to keep it in line with the changing requirements of the organisation. It is, however, of basic necessity that the accounts are maintained and compiled departmentally with adequate speed, accuracy and detail so as to cater to the diverse needs of different levels of management in the organisation. Any system of accounting which is evolved, therefore, has merit only to the extent it serves the various

management objectives. The organisational set up created for accounting and finance functions would also have merit only to the extent it serves the purposes of management for achieving the ~~xx~~ objectives of the department.

The budget of the Department of Supply and its subordinate offices consists mainly of expenditure on personal claims of staff, like salaries, allowances, travel etc.[7] The monitoring of information for control of expenditure with reference to budgeted funds is regulated by various procedures existing in the Department. The accounting and finance organisations of the Department are adequately equipped to assist the Secretary in the discharge of his function of expenditure control.

The payment and accounting functions are discharged by a separate subordinate office headed by the Chief Controller of Accounts. This office makes payments to the

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7 The yearly budgeted expenditure of the Department of Supply is about Rs.9 Crores, the bulk of which is spent on staff. The Department also earns about Rs.14 crores by way of fees and chrges for testing, procurement, inspection, and disposals. (figures pertain to the year 1975-76).

tune of about Rs.1300 crores a year by processing about 7.50 lakhs of bills.[8] It transacts payment and accounting function for the Department of Supply and its other subordinate formations, namely, the Directorate General of Supplies& Disposal and National Test House.

According to the organisational arrangements the accounts setup under the Chief Controller of Accounts forms one channel of functional hierarchy concerned primarily with payment and accounting work. The other channel of hierarchy is that of Financial Advisers of different ranks who are responsible for tendering financial advice to the administrative and executive authorities in the Department of Supplies including its subordinate formations. Both the hierarchical channels function under the direction and control of the Integrated Financial Adviser. There is a third type of hierarchical channel of administrative, technical and executive Officers in different organizational formations. So far as the Accounts organisation under the Chief Controller of Accounts is concerned it merely transacts payments for the whole Department and discharges other routine functions. It also compiles the accounts for submission to the Integrated Financial Adviser.

Management accounting, however, does not end with the functions of exchequer control as aided by the set up of

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8Such was the position during last year (1975-76)

the Chief Controller of Accounts, and the functions of financial advice as provided by the different levels of Financi Adviser in the Department. It envisages a service role for the accounts and finance personnel to work with administrative and technical officers at different levels to help them in the application of financial management techniques in taking management decisions. This would necessitate suitable integration of accounts and finance set up with the management side not only at the top level but also at lower levels where significant management decisions are taken. The purpose is to achieve maximum participation of accounts and financial experts at the stage of formulation of proposals and taking of management decisions.

It is observed that the setup of the Chief Controller of Accounts though functioning under the Integrated Financial Adviser, is not further down integrated with the various management levels whereby it may get involved in facilitating management decisions with the help of accounting techniques like discounted cash flow, costing, etc. Perhaps this important aspect of management accounting has been ignored in the Department of Supply memorandum of 24th June, 1976 (cited earlier) which includes the following statement:

> "DGS&D and NTH are technical/engineering organisations and the qualifications required for the staff of such organisations are distinct from those required for the

generalist functions of bill scrutiny, payment and accounting discharged by the CP& AO. In the technical tasks discharged by the DGS&D/NTH like procurement planning, contracting, inspection etc. which are anterior in sequence to payment, no assistance is required from the paying and accounts organisation*. Such an approach is antithotical to the concept of management accounting which requires that there should be maximum participation of accounting and financial experts in management decision-making at different levels. The expertise of accounts and finance personnel should be utilised for the achievement of the objectives of the various management levels and to facilitate their economical and efficient functioning.

At present the set-up of the Chief Controller of Accounts is organised to transact well the routine function of making payments. There is no further correspondence between its units and those of the executing wings, for the Accounts organisation to be involved in management accounting work to service the administrative and technical offices. For instance, the regional offices of the Directorate General of Supplies & Disposals are organised to suit the location of the indentors. There are also cases of purchase items which are contralised in the Headquarters or in one of the regional offices of the D.G.S.&.D. However, the regional

offices of the Chief Controller of Accounts have been set up with reference to the location of the supplying firms and that of the government employees to be paid. To quote from the Department of Supply memorandum of 24th June, 1976 (cited earlier);

> "The distribution of the staff and the location of the regional offices of the CP&AO are in accordance with the following two principles:-
>
> a) In dealing with personal and other claims of the staff of the Department of Supply and the supporting organisations, proximity to the Government servants to be paid:
>
> b) In dealing with payments to contractors, proximity to the supplier".

Each regional office of the Accounts organisation deals with contracts falling in its jurisdiction which might be concluded by all the offices of the D.G.S. & D. Each office of the D.G.S.&D. can deal with contractors from all over India. There is thus no direct integration of any Accounts Office with a regional office of the D.G.S.& D. The accounting set up in such an organisational frame would remain concerned with only payment and receipt functions and their accounting for speedy compilation of accounts. It does not get involved in further management accounting functions to help significant management levels in decision-making.

Management Accounting requires speedy compilation of accounts and their use as a management tool. It also involves supplementing the accounts information with other data not reflected in the accounts. The additional information requirements may relate to commitments made, cost escalation, physical accomplishments, etc. The Accounts organisation will be seving a useful purpose if it can gear itself to monitor and review the commitments entered and those likely to be entered into and supply the necessary information to the major indenting departments regarding the payments they would be called upon to make during specific periods. This can help assessment of the impact of the D.G.S.&.D. purchases on the Ways and Means position of the Government, and also can facilitate the task of the major indenting organisations in managing their respective budgets.

The departmentalisation of accounts in the Supply Department is expected to quicken payments and their accunting[9]. An additional advantage can be gained by avoiding maintenance of duplicate accounts by the administrative department. At present, accounts are also maintained by the administrative agencies in the Department of Supply

9. The Department is already able to have its monthly accounts ready by the 5th of the second following month. Thus, accounts for the month of October would be ready by 5th of December.

in addition to the accounting done by the Chief Controller of Accounts. With the introduction of the scheme of departmentalisation of accounts, maintenance of duplicate accounts by the administrative department seems to be redundant and may be done away with.

CONCLUSION:

The introduction of a scheme of departmentalisation of accounts in the Department of Supply is a much needed improvement which should lead to speedy transaction of payments and their accounting. It is expected to result in employees and clientele satisfaction, and in timely availability of accounts. The system of management accounting, however, extends to many other aspects of financial management in addition to payment and accounting function. It requires the accounting organisation to participate in management decisions by helping different management levels with the application of techniques like discounted cash flow, costing, etc. Also, it would require generation of information in addition to what is reflected in the accounts to facilitate management of various tasks. The accounts data may need to be supplemented by information on commitments already made and likely to be entered into, for assessing the impact of the purchases on the Ways and Means position of the Govern-

ment. This may also be necessary for providing information to the major indenting organisations about the likely payments they would be called upon to make during specific periods, to facilitate their budget management. It may, however, become difficult to cope with the increased work on the basis of manual accounting. The manual processes in certain cases may, therefore, need to be substituted by mechanical aids for data processing.

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